

**Manning Municipal Light Plant
Independent Auditor's Report
Basic Financial Statements
Supplementary and Other Information
Schedule of Findings**

December 31, 2013 and 2012

Table of Contents

| | |
|---|-----------------|
| | <u>Page</u> |
| Officials | 3 |
| Independent Auditor's Report | 4 - 7 |
| Management's Discussion and Analysis | 8 - 13 |
| Basic Financial Statements: | <u>Exhibit</u> |
| Statements of Net Position | A 15 - 16 |
| Statements of Revenues, Expenses and Changes in Fund Net Position | B 17 - 18 |
| Statements of Cash Flows | C 19 - 20 |
| Notes to Financial Statements | 22 - 34 |
| Other Information: | |
| Budgetary Comparison Schedule of Revenues, Expenses and Changes in Fund Net Position | 36 |
| Notes to Other Information - Budgetary Reporting | 37 |
| Supplementary Information: | <u>Schedule</u> |
| Summary of Utility Plant and Accumulated Depreciation | 1 39 - 40 |
| Investments and Interest Income | 2 41 |
| Operating Expenses | 3 42 - 43 |
| Comparative Statistical Data (Unaudited) | 4 44 |
| Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> | 46 - 48 |
| Schedule of Findings | 49 - 51 |

Manning Municipal Light Plant

Officials

| <u>Name</u> | <u>Title</u> | <u>Term Expires</u> |
|------------------|--------------|---------------------|
| Rick Lohrmann | Trustee | December 31, 2019 |
| Janet McLaughlin | Trustee | December 31, 2014 |
| Jerry Rasmussen | Trustee | December 31, 2016 |
| Kirk Huehn | Trustee | December 31, 2018 |
| Lynn Stein | Trustee | December 31, 2017 |
| Kent Hilsabeck | Manager | Indefinite |
| Greg Sextro | Attorney | Indefinite |

MUXFELDT **ASSOCIATES, CPA, P.C.**

Certified Public Accountant

March 21, 2014

Lonnie G. Muxfeldt
Certified Public
Accountant

Independent Auditor's Report

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To the Board of Trustees
Manning Municipal Light Plant
Manning, IA 51455

Report on the Financial Statements

I have audited the accompanying basic financial statements of the Manning Municipal Light Plant (a municipal utility) as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Utility's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles as described in Note 1. This includes determining the accrual basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

March 21, 2014
Manning Municipal Light Plant
Independent Auditor's Report

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Utility's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Utility's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Manning Municipal Light Plant as of December 31, 2013 and 2012 and the respective changes in financial position and cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

March 21, 2014
Manning Municipal Light Plant
Independent Auditor's Report

Basis of Accounting

As described in Note 1, these financial statements were prepared in conformity with U.S. generally accepted accounting principles. The financial statements of Manning Municipal Light Plant are intended to present the financial position and results of operations and cash flows of only that portion of the financial reporting entity of the City of Manning, Iowa, that is attributable to the transactions of the Manning Municipal Light Plant.

Other Matters

Supplementary and Other Information

My audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Manning Municipal Light Plant's basic financial statements. The supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In my opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, Management's Discussion and Analysis and the budgetary comparison information on pages 8 through 13 and 36 through 37 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I do not express an opinion or provide any assurance on it.

March 21, 2014
Manning Municipal Light Plant
Independent Auditor's Report

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards* I have also issued my report dated March 21, 2014 on my consideration of the Light Plant's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Manning Municipal Light Plant's internal control over financial reporting and compliance.

M. J. J. Associates, CPA, P.C.

Manning Municipal Light Plant Management's Discussion and Analysis

Manning Municipal Light Plant provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the year ended December 31, 2013. I encourage readers to consider this information in conjunction with the Utility's financial statements, which follow.

2013 Financial Highlights

Operating revenue of the Utility's activities increased by 6.7%, or approximately \$200,900, from calendar years 2012 to 2013.

Operating expenses increased by 13%, or approximately \$371,000, from calendar years 2012 to 2013.

The Utility's fund net position of business type activities increased by 0.44%, or approximately \$27,000, from calendar years 2012 to 2013.

Using This Annual Report

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the Utility's financial activities.

Financial Statements consist of a Statement of Net Position - Proprietary Funds, and a Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds and a Statement of Cash Flows - Proprietary Funds. These provide information about the activities of Manning Municipal Light Plant as a whole and present an overall view of the Utility's finances.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Other Information further explains and supports the financial statements with a comparison of the Utility's budget for the year.

Supplementary Information provides comparative financial data with the prior year and statistical data.

REPORTING THE UTILITY'S FINANCIAL ACTIVITIES

Basic Financial Statements

One of the most important questions asked about the Utility's finances is, "Is the Light Plant as a whole better or worse off as a result of the year's activities?" The Statements of Net Position and the Statements of Revenues, Expenses, Changes in Fund Net Position report information which helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

The Statements of Net Position present all the Utility's assets and liabilities, with the difference between the two reported as "net position". Over time, increases or decreases in the Utility's net position may serve as a useful indicator of whether the financial position of the Utility is improving or deteriorating.

The Statements of Revenues, Expenses, and Changes in Fund Net Position present information showing how the Utility's net position changed during the past two years. All changes in net position are reported as soon as the change occurs, regardless of the timing of related cash flows. Thus, revenues and expense are reported in this statement for some items that will not result in cash flows until future periods.

The Statements of Net Position and the Statements of Revenues, Expenses, and Changes in Fund Net Position report the following activity:

Business type activities include the electric utility. This activity is financed primarily by user charges.

Fund Financial Statements

The Utility has one fund:

Proprietary funds account for the Utility's Enterprise Fund. This fund reports services for which the Utility charges customers for the service it provides. Proprietary funds are reported in the same way all activities are reported in the Statements of Net Position and the Statements of Revenues, Expenses, and Changes in Fund Net Position. The Enterprise Fund includes the electric utility which is considered the major fund of the Utility. The Utility is responsible for ensuring the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong.

The financial statements required for proprietary funds include a statement of net position, a statement of revenues, expenses, and changes in fund net position and a statement of cash flows.

BASIC FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of financial position. The analysis that follows focuses on the changes in the net position for business type activities.

Statements of Net Position December 31, 2013 and 2012

Business Type Activities - Enterprise Fund

| | Year Ended | |
|---|----------------------|----------------------|
| | 2013 | 2012 |
| Current assets | \$ 2,593,460 | \$ 2,702,514 |
| Capital assets | 6,645,508 | 6,727,359 |
| Other assets | 1,232,242 | 1,244,273 |
| Total assets | <u>\$ 10,471,210</u> | <u>\$ 10,674,146</u> |
| Current liabilities | \$ 487,861 | \$ 543,136 |
| Non-current liabilities | 3,875,000 | 4,050,000 |
| Total liabilities | <u>\$ 4,362,861</u> | <u>\$ 4,593,136</u> |
| Net position: | | |
| Invested in capital assets, net of debt | \$ 2,595,510 | \$ 2,507,359 |
| Restricted | 393,970 | 361,428 |
| Unrestricted | 3,118,869 | 3,212,223 |
| Total net position | <u>\$ 6,108,349</u> | <u>\$ 6,081,010</u> |

Current assets exceed current liabilities by five to one, a healthy working capital ratio, and constitute 25% of total assets.

Capital assets represent the cost of infrastructure, buildings and equipment, construction work in process, are reported net of accumulated depreciation, and constitute 63% of total assets.

Other assets consist of 1) deferred patronage from WIMECA, 2) the long term portion of notes receivable from the MMCTSU Utility and the Manning Betterment Foundation, and 3) deferred underwriter discount fees and constitute 12% of total assets.

Current liabilities decreased by 10%, mostly due to construction payables in the prior year.

Non current liabilities decreased by 4%, due to a principal payment on the 2011 Electric Revenue Capital Loan Notes.

Unrestricted net position represents net surplus for operations and net position not restricted by loan covenants, enabling legislation or constitutional provisions. Net position increased by 0.44% for the year ended December 31, 2013.

Changes in Net Position
For the Year Ended December 31, 2013 and 2012.

Business Type Activities - Enterprise Fund

| | <u>Year Ended</u> | |
|-------------------------------------|---------------------|---------------------|
| | <u>2013</u> | <u>2012</u> |
| Revenues: | | |
| Charges for services | \$ 2,825,651 | \$ 2,608,296 |
| Miscellaneous income | 1,774 | -0- |
| Interest income | 17,967 | 34,146 |
| Rental income | 170,849 | 170,849 |
| Member charge refunds | -0- | 14,453 |
| Revolving loan fund | 30,000 | 30,000 |
| WIMECA dividends | 162,245 | 149,848 |
| Total revenues | <u>3,208,486</u> | <u>3,007,592</u> |
| Operating expenses: | | |
| Production | 2,332,633 | 2,019,589 |
| Distribution | 303,390 | 284,877 |
| Accounting and collection | 79,544 | 63,173 |
| Administrative and general | 214,238 | 187,582 |
| Total operating expenses | <u>2,929,805</u> | <u>2,555,221</u> |
| Revenues over operating expenses | 278,681 | 452,371 |
| Other expenses: | | |
| Amortization | 3,894 | 3,894 |
| Depreciation - comm. infrastructure | 59,076 | 59,076 |
| Interest expense | 140,551 | 142,301 |
| Call premium on bond retirement | -0- | -0- |
| Community contributions | 47,821 | 49,440 |
| Total other expenses | <u>251,342</u> | <u>254,711</u> |
| Increase in net position | 27,339 | 197,660 |
| Net position, beginning of year | <u>6,081,010</u> | <u>5,883,350</u> |
| Net position, end of year | \$ <u>6,108,349</u> | \$ <u>6,081,010</u> |

Total revenue increased by 6.7% or approximately \$200,900 from the prior year with major changes as follows: 1) Electric rates were effectively unchanged since January 1, 2012, but residential electric usage increased in December 2013, and 2) Basin capacity payments, new since 2012, added approximately \$205,000 to revenue.

Operating expenses increased by 13% or approximately \$371,000 primarily due to a substantial increase in depreciation after booking the diesel plant, generators and switchgear. Also, increases in the cost of purchased power and fuel for the diesel generators contributed to more operating expenses over the prior year.

Capital Assets

The Utility's capital assets include land, buildings and improvements, equipment, vehicles, electric lines, other infrastructure and construction work in process. Changes in capital assets for the years ended December 31, 2013 and 2012 are as follows:

| | <u>2013</u> | <u>2012</u> |
|-----------------------------------|---------------------|---------------------|
| Capital assets, beginning of year | \$ 7,652,866 | \$ 7,585,206 |
| Additions | 4,342,708 | 67,660 |
| Retirements | -0- | -0- |
| Capital assets, end of year | \$ 11,995,574 | \$ 7,652,866 |
| Less: accumulated depreciation | 5,350,066 | 4,976,146 |
| | 6,645,508 | 2,676,720 |
| Construction work in process | -0- | 4,050,639 |
| Net capital assets | \$ <u>6,645,508</u> | \$ <u>6,727,359</u> |

Distribution improvements included new infrastructure to: 1) the 202 housing project, 2) the new Manning hospital, and 3) three new residential homes. The Utility continues to monitor and improve energy efficiency for all City buildings and street lighting. In addition, the Utility completed the \$4.3 million diesel plant project during 2013. Depreciation charged against revenue was \$314,844.

In May 2010, the Board of Trustees committed to the construction of a diesel generation plant at a projected cost of \$3,778,000. The project was completed during 2013 and final diesel plant construction costs are presented as follows:

| | |
|---------------------|---------------------|
| Diesel Plant | \$ 2,139,127 |
| Generators | 1,383,054 |
| Switchgear | 783,022 |
| Total project costs | \$ <u>4,305,203</u> |

Long-Term Debt

At December 31, 2013, the Utility had \$3,875,000 in long-term debt outstanding for business type activities. For the year ended December 31, 2013, the Utility retired \$170,000 of principal and expensed \$140,551 of interest.

Future Financial Statement Impact

For 2014, the Utility will continue to maximize the diesel generation plant and other energy efficiency activities throughout the City. Distribution improvements may provide new infrastructure to the Manning Fire Station under construction, to the Assisted Living Complex, and to a potential new Feed Mill. The Utility will also conduct a feasibility study on automating the incoming side of the substations. A vehicle purchase is scheduled as part of the Utility's vehicle rotation policy. On December 23, 2013, the board of trustees approved a slight electric rate increase, effective January 1, 2014. On February 18, 2014, the board of trustees approved a \$100,000 contribution to the fire department for its new fire station.

Requests for Information

Requests for additional information can be made to the Manning Municipal Light Plant's manager, Kent Hilsabeck, 719 Third Street, Manning, Iowa 51455.

Basic Financial Statements

Exhibit A

Manning Municipal Light Plant
Statements of Net Position
Proprietary Fund
December 31, 2013 and 2012

ASSETS

| | <u>2013</u> | <u>2012</u> |
|--|----------------------|----------------------|
| Current Assets | | |
| Unrestricted | | |
| Cash | \$ 498,963 | \$ 643,228 |
| Accounts receivable - customers | | |
| net of allowance for doubtful accounts | 277,999 | 261,795 |
| Interest receivable | 9,383 | 15,499 |
| Accounts receivable - other | 722 | 6,958 |
| Inventory | 94,318 | 105,763 |
| Prepaid expenses | 36,388 | 16,441 |
| Foundation note receivable - current portion | -0- | 14,662 |
| Investments | 1,281,717 | 1,276,740 |
| Total unrestricted current assets | <u>2,199,490</u> | <u>2,341,086</u> |
| Restricted | | |
| Customer deposits | 4,100 | 3,900 |
| PSN online | 2,342 | -0- |
| Revolving loan fund | 60,000 | 30,000 |
| Investments | 327,528 | 327,528 |
| Total restricted current assets | <u>393,970</u> | <u>361,428</u> |
| Total current assets | 2,593,460 | 2,702,514 |
| Capital assets | | |
| Telecommunication infrastructure | 2,337,118 | 2,337,118 |
| Production | 5,498,510 | 1,193,307 |
| Transmission | 8,754 | 8,754 |
| Distribution | 3,657,994 | 3,620,489 |
| General | 493,198 | 493,198 |
| | <u>11,995,574</u> | <u>7,652,866</u> |
| Less accumulated depreciation | <u>5,350,066</u> | <u>4,976,146</u> |
| | 6,645,508 | 2,676,720 |
| Construction work in process | -0- | 4,050,639 |
| Net capital assets | <u>6,645,508</u> | <u>6,727,359</u> |
| Other Assets | | |
| Deferred patronage - WIMECA | 930,075 | 863,912 |
| Municipal note receivable, net of current portion | 235,000 | 270,000 |
| Foundation note receivable, net of current portion | -0- | 39,300 |
| Underwriter's discount fees - net of | | |
| accumulated amortization | 67,167 | 71,061 |
| | <u>1,232,242</u> | <u>1,244,273</u> |
| Total assets | \$ <u>10,471,210</u> | \$ <u>10,674,146</u> |

See accompanying notes to financial statements

Exhibit A
Continued

Manning Municipal Light Plant
Statements of Net Position
Proprietary Fund
December 31, 2013 and 2012

LIABILITIES AND NET POSITION

| | <u>2013</u> | <u>2012</u> |
|--|---------------|---------------|
| Current Liabilities | | |
| Payable from unrestricted current assets: | | |
| Accounts payable - trade | \$ 189,226 | \$ 185,152 |
| Accounts payable - construction | 58,159 | 126,955 |
| Payroll taxes payable | 8 | 19 |
| Salaries, vacation, and sick leave payable | 44,542 | 42,373 |
| Sales tax payable | 2,997 | 3,058 |
| Total payables from unrestricted current liabilities | 294,932 | 357,557 |
| Payable from restricted current liabilities: | | |
| Current portion of bonds payable | 175,000 | 170,000 |
| Accrued interest payable | 11,487 | 11,679 |
| Customer deposits | 4,100 | 3,900 |
| PSN online | 2,342 | -0- |
| Total payables from restricted current liabilities | 192,929 | 185,579 |
| Total current liabilities | 487,861 | 543,136 |
| Bonds payable, net of current portion | 3,875,000 | 4,050,000 |
| Total liabilities | 4,362,861 | 4,593,136 |
| Net Position | | |
| Invested in capital assets, net of related debt | 2,595,510 | 2,507,359 |
| Restricted for: | | |
| Principal and interest reserve | 327,528 | 327,528 |
| Customer deposits | 4,100 | 3,900 |
| PSN online | 2,342 | -0- |
| Revolving loan fund | 60,000 | 30,000 |
| Unrestricted | 3,118,869 | 3,212,223 |
| Total net position | 6,108,349 | 6,081,010 |
| Total liabilities and net position | \$ 10,471,210 | \$ 10,674,146 |

See accompanying notes to financial statements

Exhibit B

**Manning Municipal Light Plant
Statements of Revenues, Expenses, and
Changes in Fund Net Position
Proprietary Fund
For the Years Ended December 31, 2013 and 2012**

| | <u>2013</u> | <u>2012</u> |
|--------------------------------|------------------|------------------|
| Operating Revenues | | |
| Sale of electricity | | |
| Residential | \$ 710,765 | \$ 697,377 |
| Small commercial | 211,372 | 201,713 |
| Industrial | 1,065,946 | 1,068,840 |
| Large commercial | 454,641 | 458,328 |
| Street lights | 16,396 | 17,982 |
| Basin capacity payments | 355,502 | 150,098 |
| Total sale of electricity | <u>2,814,622</u> | <u>2,594,338</u> |
| Other operating revenues | | |
| Forfeited discounts | 2,017 | 1,978 |
| Merchandise sales, net of cost | 686 | 82 |
| Connection fees | 370 | 370 |
| Miscellaneous income | 7,956 | 11,528 |
| Total other operating revenue | <u>11,029</u> | <u>13,958</u> |
| Total operating revenue | 2,825,651 | 2,608,296 |
| Operating Expenses | | |
| Production | 2,332,633 | 2,019,589 |
| Distribution | 303,390 | 284,877 |
| Accounting and collection | 79,544 | 63,173 |
| Administration and general | 214,238 | 187,582 |
| Total operating expenses | <u>2,929,805</u> | <u>2,555,221</u> |
| Net operating revenue (loss) | (104,154) | 53,075 |

See accompanying notes to financial statements

Exhibit B
Continued

Manning Municipal Light Plant
Statements of Revenues, Expenses, and
Changes in Fund Net Position
Proprietary Fund
For the Years Ended December 31, 2013 and 2012

| | <u>2013</u> | <u>2012</u> |
|---|---------------------|---------------------|
| Non-operating Revenues (Expenses) | | |
| Interest income | \$ 17,967 | \$ 34,146 |
| Rental income | 170,849 | 170,849 |
| Junk sales | 1,774 | -0- |
| Amortization expense - bond fees | (3,894) | (3,894) |
| Member charge refunds | -0- | 14,453 |
| WIMECA dividends | 162,245 | 149,848 |
| Revolving loan fund | 30,000 | 30,000 |
| Interest expense | (140,551) | (142,301) |
| Depreciation expense - | | |
| communication infrastructure | (59,076) | (59,076) |
| Call premium on bond retirement | -0- | -0- |
| Contribution - payment in lieu of taxes | (17,981) | (17,400) |
| Contribution - main street project | (3,000) | (4,000) |
| Contribution - various projects | (1,180) | (1,400) |
| Contribution - economic development | (15,000) | (14,000) |
| Contribution - housing rehabilitation | (660) | (2,640) |
| Contribution - downtown revitalization | (10,000) | (10,000) |
| Total non-operating revenues (expenses) | <u>131,493</u> | <u>144,585</u> |
| Change in net position | 27,339 | 197,660 |
| Net position, beginning of year | <u>6,081,010</u> | <u>5,883,350</u> |
| Net position, end of year | \$ <u>6,108,349</u> | \$ <u>6,081,010</u> |

See accompanying notes to financial statements

Exhibit C

Manning Municipal Light Plant
Statements of Cash Flows
Proprietary Fund
For the Years Ended December 31, 2013 and 2012

| | <u>2013</u> | <u>2012</u> |
|---|---------------------|---------------------|
| Cash Flows From Operating Activities: | | |
| Cash received from customers and users | \$ 2,798,418 | \$ 2,589,055 |
| Cash received from other revenues | 17,265 | 19,921 |
| Cash paid to suppliers | (2,131,495) | (1,985,359) |
| Cash paid for personal services | (251,927) | (178,176) |
| Cash paid to employees | (233,870) | (208,810) |
| Net cash provided (used) by operating activities | <u>198,391</u> | <u>236,631</u> |
| Cash Flows From Noncapital Financing Activities: | | |
| Revolving loan fund contribution | 30,000 | 30,000 |
| PSN online | 2,342 | -0- |
| Change in customer deposits | <u>200</u> | <u>(400)</u> |
| Net cash provided (used) for capital and related financing activities | 32,542 | 29,600 |
| Cash Flows From Capital and Related Financing Activities: | | |
| Interest paid on bonds | (140,743) | (142,442) |
| Bond retirement | <u>(170,000)</u> | <u>(170,000)</u> |
| Net cash provided (used) by capital and related financing activities | (310,743) | (312,442) |
| Cash Flows From Investing Activities: | | |
| Acquisition of capital assets | (360,865) | (1,719,823) |
| Junked capital assets | 1,774 | -0- |
| Principal on notes receivable | 88,962 | 89,093 |
| Member charge refunds | -0- | 14,453 |
| Patronage retirement | 96,082 | 223,253 |
| Interest on investments | 24,083 | 38,906 |
| Contributions - economic development | (47,821) | (49,440) |
| Rental income | 170,849 | 170,849 |
| Net cash provided (used) by investing activities | <u>(26,936)</u> | <u>(1,232,709)</u> |
| Net increase (decrease) in cash | (106,746) | (1,278,920) |
| Cash and cash equivalents beginning of year | <u>2,281,396</u> | <u>3,560,316</u> |
| Cash and cash equivalents end of year | \$ <u>2,174,650</u> | \$ <u>2,281,396</u> |

See accompanying notes to financial statements

Exhibit C
Continued

Manning Municipal Light Plant
Statements of Cash Flows
Proprietary Fund
For the Years Ended December 31, 2013 and 2012

| | <u>2013</u> | <u>2012</u> |
|--|---------------------|---------------------|
| Reconciliation of Operating Income to Net | | |
| Cash Provided by Operating Activities: | | |
| Operating revenue (loss) | \$ (104,154) | \$ 53,075 |
| Adjustments to reconcile operating income | | |
| to net cash provided by operating activities: | | |
| Depreciation | 314,844 | 177,145 |
| Net (increase) decrease in: | | |
| Accounts receivable - customers | (16,204) | (5,678) |
| Accounts receivable - other | 6,236 | 5,961 |
| Inventories | 11,445 | (21,159) |
| Prepaid expenses | (19,947) | (3,676) |
| Net increase (decrease) in: | | |
| Accounts payable - trade | 4,074 | 28,393 |
| Sales tax payable | (61) | 395 |
| Salaries payable | 2,169 | 2,497 |
| Payroll taxes payable | (11) | (322) |
| Net cash provided by operating activities | \$ <u>198,391</u> | \$ <u>236,631</u> |
| Reconciliation of cash and cash equivalents at | | |
| year end to specific assets included on the | | |
| Statements of Net Position | | |
| Current assets: | | |
| Cash and pooled investments | \$ 1,780,680 | \$ 1,919,968 |
| Restricted assets: | | |
| Cash and pooled investments: | | |
| Principal & interest reserve | 327,528 | 327,528 |
| Customer deposits | 4,100 | 3,900 |
| PSN online | 2,342 | -0- |
| Revolving loan fund | 60,000 | 30,000 |
| Cash and cash equivalents end of year | \$ <u>2,174,650</u> | \$ <u>2,281,396</u> |

See accompanying notes to financial statements

Notes to Financial Statements

Manning Municipal Light Plant
Notes to Financial Statements
December 31, 2013

(1) Summary of Significant Accounting Policies

A. Reporting Entity

The Manning Municipal Light Plant was formed as an Electric Utility in 1934 and is a component unit of the City of Manning, Iowa, as determined by criteria specified by the Governmental Accounting Standards Board (GASB). The Light Plant is governed by a five member board of trustees appointed by the City Council. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the Utility to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the Utility. The Manning Municipal Light Plant has no component units which meet the Governmental Accounting Standards Board (GASB) criteria.

The financial statements include only those funds of the Electric Utility and are not intended to present all funds of the City of Manning, Iowa.

B. Jointly Governed Organizations

The Utility participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. Utility officials are members of the following boards: Manning Municipal Communication and Television System Utility, Manning Betterment Foundation, Western Iowa Municipal Electric Cooperative Association, and Manning Economic Development Corporation.

C. Measurement Focus and Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The Utility's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board. The accompanying financial statements have been prepared on the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when the liability is incurred.

Manning Municipal Light Plant
Notes to Financial Statements
December 31, 2013

(1) Summary of Significant Accounting Policies (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

The Utility applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles, Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure.

D. Basis of Presentation

The Statement of Net Position presents the Utility's assets and liabilities, with the difference reported as fund net position. Net position is reported in the following categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

Fund Financial Statements

The Manning Municipal Light Plant reports the following major proprietary fund:

Enterprise:

The Electric Fund is used to account for the operation and maintenance of the Utility's electric system.

Manning Municipal Light Plant
Notes to Financial Statements
December 31, 2013

(1) Summary of Significant Accounting Policies (Continued)

E. Budgets and Budgetary Accounting

In accordance with the Code of Iowa, the Board of Trustees annually adopts a budget on the cash basis for the fiscal year ending June 30th. The budget of the Utility is then submitted with that of the City of Manning following required public notice and hearing. The Utility also adopts a budget on the accrual basis for the calendar year ending December 31st. The budget on the accrual basis is presented in the budgetary comparison and related disclosures and reported as Other Information. During the year ended December 31, 2013, disbursements exceeded amounts budgeted on the accrual basis for the business type activities.

F. Cash, Investments and Cash Equivalents

Cash consists of checking accounts, cash on hand, and savings. Investments consist of certificates of deposit. For purposes of the Statement of Cash Flows, the Electric Utility considers all deposits to be cash equivalents. Investments are stated at cost which approximates market.

G. Restricted Assets

Funds set aside for payment of revenue notes are classified as restricted assets since their use is restricted by applicable note indentures. Other restricted assets include consumer deposits restricted for application to unpaid customer accounts or for refund to customers, PSN online restricted for interdepartmental light, water and sewer collections, and the revolving loan funds restricted to small business loans.

H. Accounts Receivable

Accounts receivable are recorded in the Electric Fund at the time the service is billed. The allowance for doubtful accounts is \$-0- at December 31, 2013 and 2012. The Utility participates in the State of Iowa Income Offset Program for the collection of past due accounts.

Customer meters are read the 1st of the month. Customers are billed by the 10th of the month. Bills are due by the end of the month. Penalties accrue at 1.5% of the total bill thereafter. Delinquent customers have twelve days after receiving a disconnect notice to make payment or arrangements for payment. Disconnection of services may include the City of Manning's water service.

Manning Municipal Light Plant
Notes to Financial Statements
December 31, 2013

(1) Summary of Significant Accounting Policies (Continued)

I. Capital Assets

Capital assets include property, plant and equipment. Capital assets are stated at cost. Depreciation is computed using straight line methods applied to the estimated useful lives of the various assets. Depreciation is computed over the following useful lives:

| | |
|----------------------------------|---------------|
| Plant and property | 20 - 33 years |
| Office and other equipment | 5 - 25 years |
| Transportation equipment | 3 - 10 years |
| Telecommunication infrastructure | 10 - 40 years |

Expenses for maintenance, repairs and minor replacements are charged to operations. Expenses for major repairs and betterments that materially extend the life of the asset are capitalized.

J. Customer Deposits

Meter deposits of \$100 are collected from new customers before electric service begins. Customers in good standing get a deposit refund after six months. Delinquent customers forfeit the deposit.

K. Underwriter's Discount Fees

The underwriter's discount fees are stated at their original cost less any accumulated amortization. The underwriter's discount of \$77,875 occurred in 2012 as a result of the issuance of the Electric Revenue Capital Loan Notes, Series 2011. The underwriter's discount is being amortized over the twenty year life of the notes utilizing the straight line method.

L. Inventory

Inventory consists of material and supplies. The inventory is valued at average cost.

M. Use of Estimates

The preparation of the financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Manning Municipal Light Plant
Notes to Financial Statements
December 31, 2013**

(2) Cash and Investments

The Utility Board's deposits in banks at December 31, 2013 and 2012 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against depositories to insure there will be no loss of public funds.

The Utility Board is authorized by statute to invest public funds in obligations of the United States Government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Utility Board; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The Utility had no investments meeting the disclosure requirements of Governmental Accounting Standards Board (GASB) Statement No. 3, as amended by Statement No 40.

The Utility's cash and investments at December 31, 2013 and 2012 are as follows:

| | <u>Cash</u> | <u>Certificates of Deposit</u> | <u>Total</u> |
|-------------------|-------------------|------------------------------------|---------------------|
| December 31, 2013 | | | |
| Unrestricted | \$ 498,963 | \$ 1,281,717 | \$ 1,780,680 |
| Restricted | 66,442 | 327,528 | 393,970 |
| | <u>\$ 565,405</u> | <u>\$ 1,609,245</u> | <u>\$ 2,174,650</u> |
| December 31, 2012 | | | |
| Unrestricted | \$ 643,228 | \$ 1,276,740 | \$ 1,919,968 |
| Restricted | 33,900 | 327,528 | 361,428 |
| | <u>\$ 377,128</u> | <u>\$ 1,604,268</u> | <u>\$ 2,281,396</u> |

**Manning Municipal Light Plant
Notes to Financial Statements
December 31, 2013**

(3) Deferred Patronage Dividends

Western Iowa Municipal Electric Cooperative Association (WIMECA) allocates deferred patronage dividends to its member municipal electric utilities of Anthon, Aurelia, Hinton, Manning, Mapleton and Onawa, Iowa. WIMECA purchases all of its power from Northwest Iowa Power Cooperative under a long-term contract.

The deferred patronage dividends in WIMECA are declared allocations from which it is not practicable to estimate a fair value and they are redeemable only at the discretion of the issuing cooperative. They are recorded at cost or the value assigned by WIMECA. Deferred patronage dividends are recorded as an asset in the year to which they apply.

| | | |
|--|----|----------------|
| Deferred Patronage - WIMECA, Dec. 31, 2012 | \$ | 863,912 |
| Less: Retired patronage - paid in cash | | 96,082 |
| Add: Dividends Declared - Deferred | | 162,245 |
| Deferred Patronage - WIMECA, Dec. 31, 2013 | \$ | <u>930,075</u> |

(4) Restricted Assets

The Board of Trustees established by resolution, various reserve account funds to accumulate surplus net revenue for the following purposes:

| | <u>2013</u> | <u>2012</u> |
|---|-------------------|-------------------|
| Customer Deposits - Cash | \$ 4,100 | \$ 3,900 |
| Revolving Loan Fund | 60,000 | 30,000 |
| PSN Online | 2,342 | -0- |
| Principal & Interest Reserve - Certificates of Deposit | <u>327,528</u> | <u>327,528</u> |
| | <u>\$ 393,970</u> | <u>\$ 361,428</u> |

(5) Major Customer

Ag Processing, a local soybean processing plant, purchased electricity totaling \$1,065,946 and \$1,068,840 in 2013 and 2012, respectively, which represented 37.8% and 41.2% of total sales each year.

Manning Municipal Light Plant
Notes to Financial Statements
December 31, 2013

(6) Power Purchase Contract

The Utility has a long-term contract with Western Iowa Municipal Electric Cooperative Association (WIMECA) to purchase all electrical needs from WIMECA at established rates. In turn, WIMECA agrees to use its best efforts to provide a steady supply of electricity. In May 2009, an amendment to the contract extended the terms of the agreement till January 1, 2013. Beginning January 1, 2011, however, the terms of the agreement will automatically be extended each year for one additional year, unless one of the parties delivers a notice of intention to terminate before the extension date.

(7) Contract Rates of Delivery for Firm Power

A contract was signed with Western Area Power Administration to lock in the Contract Rate of Delivery (CROD) for firm power on and after January 1, 2001 and continuing through December 31, 2005. The rate for firm power during the winter season differs from the rate for firm power during the summer season. A new CROD was agreed upon for the period from January 1, 2006 through December 31, 2014.

(8) Pension and Retirement Benefits

The Utility contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Through June 30, 2013, plan members were required to contribute 5.78% of their annual covered salary and the Utility was required to contribute 8.67% of annual covered payroll. Effective July 1, 2013, the IPERS rates changed and plan members contributed 5.95% and the Utility contributed 8.93% of annual covered payroll. Contribution requirements are established by State statute. The Utility's contributions to IPERS for the years ended December 31, 2013, 2012 and 2011 were \$18,390, \$16,878, and \$13,967, respectively, equal to the required contributions for each year.

**Manning Municipal Light Plant
Notes to Financial Statements
December 31, 2013**

(9) Other Postemployment Benefits (OPEB)

Plan Description - The Utility operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There are 4 active and -0- retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees.

Funding Policy - The contribution requirements of plan members are established and may be amended by the Utility. The Utility currently finances the retiree benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the Utility and plan members are \$1,296 for family coverage. The same monthly premiums would apply to retirees if there were any retired participants. For the year ended December 31, 2013, the Utility contributed \$55,491 and plan members eligible for benefits contributed \$6,166, 90% and 10%, respectively.

**Manning Municipal Light Plant
Notes to Financial Statements
December 31, 2013**

(10) Related Party Transactions

| <u>MMCTSU Note</u> | <u>2013</u> | <u>2012</u> |
|--|-------------------|-------------------|
| Note receivable from the Manning Municipal Communications and Television System Utility for the broadband communications system. The interest rate is adjusted on July 15 th each year to a rate which is 1% higher than that offered by Templeton Savings Bank on a twelve month certificate of deposit. The interest rate on July 15, 2013 and 2012 were 1.50% and 2.40%, respectively. Interest does not accrue on the unpaid interest balance, there are no required principal payments, and payments of principal and interest may not exceed \$100,000 per year. In 2004, The Manning Municipal Light Plant forgave \$200,000 of this note. | \$ 235,000 | \$ 270,000 |
| Less: current portion | <u>-0-</u> | <u>-0-</u> |
| Long-term portion | \$ <u>235,000</u> | \$ <u>270,000</u> |

The Utility leases an area of City Hall from the City of Manning through an oral lease agreement. Rent expense charged to operations on this facility for 2013 and 2012 were \$6,000 each year.

The Utility had business transactions between the Utility and Utility officials totaling \$2,328 during the year ended December 31, 2013.

**Manning Municipal Light Plant
Notes to Financial Statements
December 31, 2013**

(11) Note Receivable - Betterment Foundation

| <u>Manning Betterment Foundation</u> | <u>2013</u> | <u>2012</u> |
|--|---------------|------------------|
| Unsecured note receivable from the Manning Betterment Foundation for \$100,000, dated July 28, 2003. The terms of the note were modified to include semi-annual interest payments at 4% from July 28, 2009 through July 28, 2011. Thereafter, principal and interest payments of \$8,337 are due semi-annually with final payment due on July 28, 2016. The interest rate since July 28, 2011 was 4.0%. The note was paid off during 2013. | \$ -0- | \$ 53,962 |
| Less: current portion | <u>-0-</u> | <u>14,662</u> |
| Long-term portion | \$ <u>-0-</u> | \$ <u>39,300</u> |

(12) Capital Loan Notes Payable

On March 31, 2011, the Utility issued \$4,450,000 of Electric Revenue Capital Loan Notes, Series 2011, under the provisions of Chapter 384 of the Code of Iowa. The notes are not general obligations of the City of Manning, but are payable from and secured by a pledge of future net revenues of the Electric Utility. Principal payments are due annually on December 1 and interest payments due semi-annually on June 1 and December 1 of each year. The provisions of the bond covenants require the Electric Utility to fund a Principal and Interest Reserve Fund equal to the maximum annual principal and interest debt service requirements of the bonds in the amount of \$327,528. The Reserve Fund consists of certificates of deposit.

Manning Municipal Light Plant
Notes to Financial Statements
December 31, 2013

(12) Capital Loan Notes Payable (Continued)

Future scheduled maturities of long-term notes payable are as follows:

| <u>December 1,</u> | <u>Rate</u> | <u>Amount</u> |
|-------------------------|-------------|---------------------|
| 2014 | 1.65% | \$ 175,000 |
| 2015 | 2.00% | 175,000 |
| 2016 | 2.20% | 180,000 |
| 2017 | 2.50% | 185,000 |
| 2018 | 2.75% | 185,000 |
| 2019 | 2.95% | 190,000 |
| 2020 | 3.10% | 200,000 |
| 2021 | 3.20% | 205,000 |
| 2022 | 3.30% | 210,000 |
| 2023 | 3.45% | 220,000 |
| 2024 | 3.60% | 230,000 |
| 2025 | 3.75% | 240,000 |
| 2026 | 3.85% | 245,000 |
| 2027 | 3.95% | 260,000 |
| 2028 | 4.05% | 270,000 |
| 2029 | 4.10% | 280,000 |
| 2030 | 4.20% | 295,000 |
| 2031 | 4.30% | 305,000 |
| | | <u>4,050,000</u> |
| Less current portion | | (175,000) |
| | | <u>\$ 3,875,000</u> |

Manning Municipal Light Plant
Notes to Financial Statements
December 31, 2013

(13) Compensated Absences

Vacation Payable

Light Plant employees accumulate vacation hours for use each year between anniversary dates of employment. Employees can accumulate up to 10 days of vacation that can transfer over to the following year in the event that available vacation is not used by the end of the benefit year. At no time can an employee carry over more than 10 days of vacation time to the subsequent benefit year. Upon termination of employment, employees will be paid for unused vacation time that has been earned through the last day of employment at their current rate of pay. The accrued vacation payable at December 31, 2013 and 2012 is \$5,172 and \$6,469, respectively.

Sick Leave Payable

Sick leave may be accumulated for subsequent use or for payment upon termination or retirement. Unused sick leave benefits are paid to employees upon termination of employment at the rate in which they were earned but only after 24 sick leave days have accumulated. Eligible employees accrue sick leave benefits at the rate of 6 days per year or 4 hours per month. Therefore, an employee would have to work at the Utility for 4 years before the employee would be eligible to be paid for sick leave upon termination. The accrued sick leave payable at December 31, 2013 and 2012 is \$33,099 and \$30,178, respectively.

(14) Risk Management

Manning Municipal Light Plant is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The Utility assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three years.

(15) Guaranty

Manning Municipal Light Plant guaranteed to Western Iowa Municipal Electric Cooperative Association (WIMECA) the repayment of a \$100,000 loan to be made by Northwest Iowa Power Cooperative (NIPCO) to CHAR-MAC of Manning, Inc. The maximum amount recoverable from MMLP by WIMECA is limited to principal and interest due and owing together with attorney's fees, costs and other expenses in the event of default.

Manning Municipal Light Plant
Notes to Financial Statements
December 31, 2013

(16) Joint Use Agreement

On July 25, 2001, the Manning Municipal Light Plant and the Manning Municipal Communications and Television System Utility (MMCTSU) entered into a joint use agreement in regards to the communications distribution system. The communications distribution system remains the sole property of the Electric Utility which granted to MMCTSU the right to use the distribution system, the head-end building, and the Municipal building for a term of twenty-five years with annual lease payments of \$170,849, commencing June 30, 2002. MMCTSU postponed the June 30, 2008 payment until June 30, 2027.

(17) Commitments

On February 18, 2013, the board of trustees of the Manning Municipal Light Plant approved a \$100,000 contribution, payable over ten years, to the Manning Fire Department to finance the construction of a new fire station. On February 18, 2014, the board of trustees of MMLP revised its offer and authorized a one-time donation not to exceed \$100,000, payable upon request.

(18) Revolving Loan Fund

In December 2011, the Manning Municipal Light Plant was the recipient and a pass through agent of a \$250,000 grant from the Rural Economic Development Loan and Grant Program to create a revolving loan fund. The City of Manning's Economic Development Agency administers the Utility's revolving loan fund as well as other existing revolving loan funds.

The Agency loaned the funds to the Manning Community Foundation for the purchase of the Manning Hausbarn Heritage Park. The \$300,000 promissory note is dated December 29, 2011, requires annual payments of \$30,000, bears 0% interest, matures January 29, 2022, and is secured by land and buildings, personal property and revenues and income of the Manning Community Foundation.

The Manning Municipal Light Plant recognizes the payments as income when received and restricts the money to the economic development activities of the revolving loan fund. As of December 31, 2013, \$60,000 of revolving loan funds have been received.

Other Information

Manning Municipal Light Plant
Budgetary Comparison Schedule of Revenues, Expenses and
Changes in Fund Net Position
- Budget and Actual (Accrual Basis)
Proprietary Fund
For the Year Ended December 31, 2013

| | <u>Accrual</u> <u>Basis</u> | <u>Original</u> <u>and Final</u> <u>Budget</u> | <u>Variance</u> |
|---------------------------------|--------------------------------|--|-------------------|
| Receipts: | | | |
| Electric sales | \$ 2,814,622 | \$ 2,646,000 | \$ 168,622 |
| Operating | 11,029 | 9,998 | 1,031 |
| Total Operating Receipts | <u>2,825,651</u> | <u>2,655,998</u> | <u>169,653</u> |
| Expenditures: | | | |
| Production | 2,332,633 | 2,238,160 | (94,473) |
| Distribution | 303,390 | 276,067 | (27,323) |
| Accounting and collections | 79,544 | 82,665 | 3,121 |
| Administration and general | 214,238 | 216,950 | 2,712 |
| Total Expenditures | <u>2,929,805</u> | <u>2,813,842</u> | <u>(115,963)</u> |
| Net operating income | (104,154) | (157,844) | 53,690 |
| Non-operating: | | | |
| Interest Income | 17,967 | 17,500 | 467 |
| Rent Income | 170,849 | 170,850 | (1) |
| Revolving loan fund | 30,000 | -0- | 30,000 |
| Miscellaneous | 1,774 | 1,800 | (26) |
| Dividends | 162,245 | -0- | 162,245 |
| Interest expense | (140,551) | (142,000) | 1,449 |
| Depreciation and amortization | (62,970) | (140,000) | 77,030 |
| Contributions | (47,821) | (52,180) | 4,359 |
| Total non-operating | <u>131,493</u> | <u>(144,030)</u> | <u>275,523</u> |
| Net Change in Net Position | 27,339 | \$ <u>(301,874)</u> | \$ <u>329,213</u> |
| Net Position, Beginning of Year | <u>6,081,010</u> | | |
| Net Position, End of Year | \$ <u>6,108,349</u> | | |

See accompanying independent auditor's report.

Manning Municipal Light Plant
Notes to Other Information - Budgetary Reporting
For the Year Ended December 31, 2013

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Utility adopts and submits a budget on the cash basis to the City for approval in the City's required public notice and budget hearing process. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures. The cash basis budget is prepared for the fiscal year ending June 30th and is not presented here.

For financial statement reporting purposes, however, the board approves an accrual basis budget which corresponds to the Utility's calendar year. The accrual basis budget is presented here.

For the year ended December 31, 2013, the disbursements of the Utility exceeded amounts budgeted in the business type activities.

Supplementary Information

Schedule 1

Manning Municipal Light Plant
Summary of Utility Plant and Accumulated Depreciation

| | Property, Plant and Equipment | | | |
|-------------------------------|-------------------------------|---------------------|---------------------|----------------------|
| | January 1, 2013 | Additions | Deletions | Dec. 31, 2013 |
| PRODUCTION | | | | |
| Land | \$ 8,500 | \$ -0- | \$ -0- | \$ 8,500 |
| Structures and improvements | 134,169 | 2,139,127 | -0- | 2,273,296 |
| Fuel holders | 2,500 | -0- | -0- | 2,500 |
| Prime movers and generators | 200,800 | 1,383,054 | -0- | 1,583,854 |
| Accessory electric equipment | 847,338 | 783,022 | -0- | 1,630,360 |
| | <u>1,193,307</u> | <u>4,305,203</u> | <u>-0-</u> | <u>5,498,510</u> |
| TRANSMISSION | | | | |
| Poles | 8,754 | -0- | -0- | 8,754 |
| DISTRIBUTION | | | | |
| Poles and fixtures | 3,706 | -0- | -0- | 3,706 |
| Overhead conductors | 5,757 | -0- | -0- | 5,757 |
| Underground conductors | 2,249,580 | 17,937 | -0- | 2,267,517 |
| Line transformers | 680,576 | -0- | -0- | 680,576 |
| Services | 262,853 | 1,055 | -0- | 263,908 |
| Meters | 77,168 | 18,513 | -0- | 95,681 |
| Street lighting | 340,849 | -0- | -0- | 340,849 |
| | <u>3,620,489</u> | <u>37,505</u> | <u>-0-</u> | <u>3,657,994</u> |
| GENERAL | | | | |
| Structures - garage | 48,270 | -0- | -0- | 48,270 |
| Office furniture and fixtures | 95,468 | -0- | -0- | 95,468 |
| Transportation equipment | 231,299 | -0- | -0- | 231,299 |
| Communication equipment | 4,687 | -0- | -0- | 4,687 |
| Miscellaneous equipment | 113,474 | -0- | -0- | 113,474 |
| | <u>493,198</u> | <u>-0-</u> | <u>-0-</u> | <u>493,198</u> |
| TELECOMMUNICATIONS | | | | |
| Infrastructure | 2,337,118 | -0- | -0- | 2,337,118 |
| CONSTRUCTION | | | | |
| Work in Process | 4,050,639 | -0- | 4,050,639 | -0- |
| Totals | <u>\$ 11,703,505</u> | <u>\$ 4,342,708</u> | <u>\$ 4,050,639</u> | <u>\$ 11,995,574</u> |

See accompanying independent auditor's report.

Schedule 1
(Continued)

| | Accumulated Depreciation | | | |
|--------------------------------|--------------------------|-------------------|---------------|---------------------|
| | January 1, 2013 | Additions | Deletions | Dec. 31, 2013 |
| PRODUCTION | | | | |
| Land | \$ -0- | \$ -0- | \$ -0- | \$ -0- |
| Structures and improvements | 80,113 | 76,021 | -0- | 156,134 |
| Fuel holders | 2,500 | -0- | -0- | 2,500 |
| Prime movers and generators | 184,709 | 41,911 | -0- | 226,620 |
| Accessory electric equipment | 846,207 | 39,385 | -0- | 885,592 |
| | <u>1,113,529</u> | <u>157,317</u> | <u>-0-</u> | <u>1,270,846</u> |
| TRANSMISSION | | | | |
| Poles | 2,900 | 438 | -0- | 3,338 |
| DISTRIBUTION | | | | |
| Poles and fixtures | 2,199 | 148 | -0- | 2,347 |
| Overhead conductors | 4,086 | 207 | -0- | 4,293 |
| Underground conductors | 907,494 | 110,258 | -0- | 1,017,752 |
| Line transformers | 454,184 | 17,790 | -0- | 471,974 |
| Services | 221,913 | 3,452 | -0- | 225,365 |
| Meters | 23,895 | 3,799 | -0- | 27,694 |
| Street lighting | 276,084 | 10,069 | -0- | 286,153 |
| | <u>1,889,855</u> | <u>145,723</u> | <u>-0-</u> | <u>2,035,578</u> |
| GENERAL | | | | |
| Structures - garage | 39,779 | 989 | -0- | 40,768 |
| Office furniture and equipment | 74,481 | 5,710 | -0- | 80,191 |
| Transportation equipment | 231,299 | -0- | -0- | 231,299 |
| Communication equipment | 4,686 | -0- | -0- | 4,686 |
| Miscellaneous equipment | 106,733 | 4,667 | -0- | 111,400 |
| | <u>456,978</u> | <u>11,366</u> | <u>-0-</u> | <u>468,344</u> |
| TELECOMMUNICATIONS | | | | |
| Infrastructure | 1,512,884 | 59,076 | -0- | 1,571,960 |
| Totals | <u>\$ 4,976,146</u> | <u>\$ 373,920</u> | <u>\$ -0-</u> | <u>\$ 5,350,066</u> |

See accompanying independent auditor's report.

Schedule 2

**Manning Municipal Light Plant
Investments and Interest Income
For the Year Ended December 31, 2013**

| | <u>Investments</u> | <u>Interest</u> |
|--|---------------------|------------------|
| Certificates of deposit, beginning of year | \$ 1,604,268 | |
| Purchases | 4,977 | |
| Redemptions | -0- | |
| Certificates of deposit, end of year | \$ <u>1,609,245</u> | \$ 9,974 |
| Other interest income | | |
| General checking account | | 1,184 |
| Savings accounts | | 71 |
| Cable Utility note | | 5,251 |
| Manning Betterment Foundation note | | 1,487 |
| Total interest income | | \$ <u>17,967</u> |

See accompanying independent auditor's report.

Schedule 3

**Manning Municipal Light Plant
Operating Expenses
For the Years Ended December 31, 2013 and 2012**

| | <u>2013</u> | <u>2012</u> | <u>Increase (Decrease)</u> |
|--|------------------|------------------|--------------------------------|
| PRODUCTION | | | |
| Salaries | \$ 20,556 | \$ 19,799 | \$ 757 |
| Purchased power | 2,072,481 | 1,982,133 | 90,348 |
| Fuel | 81,534 | -0- | 81,534 |
| Other expenses | 339 | 231 | 108 |
| Provision for depreciation | 157,317 | 17,426 | 139,891 |
| Plant utilities | 406 | -0- | 406 |
| | <u>2,332,633</u> | <u>2,019,589</u> | <u>313,044</u> |
| DISTRIBUTION | | | |
| Salaries | 89,347 | 87,922 | 1,425 |
| Maintenance salaries for cable utility | 13,670 | 3,320 | 10,350 |
| Maintenance materials, labor, overhead | 37,365 | 34,788 | 2,577 |
| Street light maintenance | 8,120 | 5,833 | 2,287 |
| Truck expense | 8,727 | 7,348 | 1,379 |
| Provision for depreciation | 146,161 | 145,666 | 495 |
| | <u>303,390</u> | <u>284,877</u> | <u>18,513</u> |
| ACCOUNTING AND COLLECTION | | | |
| Office salaries | 37,240 | 32,138 | 5,102 |
| Meter reading salaries | 5,095 | 4,842 | 253 |
| Office supplies and billing expenses | 2,332 | 827 | 1,505 |
| Office maintenance | 1,666 | 2,720 | (1,054) |
| Building and shop maintenance | 2,617 | 1,255 | 1,362 |
| Postage | 4,276 | 2,407 | 1,869 |
| Rent | 6,000 | 6,000 | -0- |
| Telephone | 4,391 | 5,134 | (743) |
| Computer maintenance and software | 8,988 | 3,326 | 5,662 |
| Rate study | 6,939 | 4,477 | 2,462 |
| Revolving loan fund expense | -0- | 47 | (47) |
| | <u>79,544</u> | <u>63,173</u> | <u>16,371</u> |

See accompanying independent auditor's report.

Schedule 3
(Continued)

Manning Municipal Light Plant
Operating Expenses
For the Years Ended December 31, 2013 and 2012

| | <u>2013</u> | <u>2012</u> | <u>Increase</u> <u>(Decrease)</u> |
|----------------------------------|-------------------------|-------------------------|--------------------------------------|
| ADMINISTRATION AND GENERAL | | | |
| Salaries | \$ 70,130 | \$ 61,946 | \$ 8,184 |
| Employee insurance | 55,920 | 58,402 | (2,482) |
| Property and liability insurance | 43,201 | 28,017 | 15,184 |
| Audit and accounting services | 7,562 | 7,423 | 139 |
| Legal and professional services | 773 | 738 | 35 |
| Seminars and meetings | 3,676 | 1,552 | 2,124 |
| Dues | 9,822 | 8,113 | 1,709 |
| Uniforms | 842 | 1,799 | (957) |
| Trustee fees | 2,995 | 2,995 | -0- |
| Safety program | 491 | 460 | 31 |
| Energy efficiency program | 2,497 | 325 | 2,172 |
| Legal notices and advertising | 1,301 | 997 | 304 |
| Miscellaneous | 2,194 | 762 | 1,432 |
| Bad debts | 1,468 | -0- | 1,468 |
| Provision for depreciation | 11,366 | 14,053 | (2,687) |
| | <u>214,238</u> | <u>187,582</u> | <u>26,656</u> |
| Total Operating Expenses | \$ <u>2,929,805</u> | \$ <u>2,555,221</u> | \$ <u>374,584</u> |

See accompanying independent auditor's report.

Schedule 4

**Manning Municipal Light Plant
Comparative Statistical Data
(Unaudited)**

| | <u>2013</u> | <u>As of December 31,</u> | | <u>2010</u> |
|-----------------------------------|-------------------|---------------------------|-------------------|-------------------|
| | | <u>2012</u> | <u>2011</u> | |
| SOURCES OF KILOWATT HOURS | | | | |
| KWRS purchased | 37,195,324 | 37,458,676 | 37,339,703 | 36,222,681 |
| KWHRs generated | <u>271,665</u> | <u>153,985</u> | <u>500</u> | <u>610</u> |
| Totals | 37,466,989 | 37,612,661 | 37,340,203 | 36,223,291 |
| ANALYSIS OF KILOWATT HOURS | | | | |
| Residential | 7,788,808 | 7,595,133 | 7,864,868 | 8,185,889 |
| Small commercial | 1,948,637 | 1,857,495 | 1,914,738 | 1,907,454 |
| Industrial | 6,066,443 | 6,164,871 | 19,961,577 | 18,362,047 |
| Large commercial | 19,963,800 | 20,368,594 | 6,177,125 | 6,359,662 |
| Street lights | <u>270,986</u> | <u>328,821</u> | <u>343,533</u> | <u>362,635</u> |
| Subtotals | 36,038,674 | 36,314,914 | 36,261,841 | 35,177,687 |
| KWHRs not sold | | | | |
| Street lights | -0- | -0- | -0- | -0- |
| Utility plant and office | 372,735 | 284,072 | 178,293 | 141,230 |
| Generated | -0- | 153,985 | 500 | 610 |
| Line loss | <u>1,055,580</u> | <u>859,690</u> | <u>899,569</u> | <u>903,764</u> |
| Subtotals not sold | 1,428,315 | 1,297,747 | 1,078,362 | 1,045,604 |
| Totals | <u>37,466,989</u> | <u>37,612,661</u> | <u>37,340,203</u> | <u>36,223,291</u> |
| LINE LOSS PERCENTAGE | 2.81% | 2.29% | 2.41% | 2.49% |
| NUMBER OF CUSTOMERS | | | | |
| Residential | 689 | 687 | 689 | 696 |
| Small commercial | 126 | 123 | 123 | 125 |
| Industrial | 1 | 1 | 1 | 1 |
| Large commercial | 30 | 30 | 30 | 31 |
| Street lights | <u>1</u> | <u>1</u> | <u>1</u> | <u>1</u> |
| Total | <u>847</u> | <u>842</u> | <u>844</u> | <u>854</u> |

The comparative statistical data is the presentation of management. No audit procedures have been applied.

**Independent Auditor's Report on Internal Control Over Financial
Reporting and on Compliance and Other Matters Based on an
Audit of Financial Statements Prepared in Accordance with
*Government Auditing Standards***

MUXFELDT ASSOCIATES, CPA, P.C.

Certified Public Accountant

March 21, 2014

Independent Auditor's Report on Internal Control Over Financial
Reporting and on Compliance and Other Matters Based on an Audit of
Financial Statements Prepared in Accordance with
Government Auditing Standards

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Iowa
Missouri

To the Board of Trustees of the
Manning Municipal Light Plant

I have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Manning Municipal Light Plant as of and for the year ended December 31, 2013, and have issued my report thereon dated March 21, 2014. My report expressed an unqualified opinion on the financial statements which were prepared in conformity with U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered Manning Municipal Light Plant's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Manning Municipal Light Plant's internal control. Accordingly, I do not express an opinion on the effectiveness of Manning Municipal Light Plant's internal control.

My consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, I identified a deficiency in internal control I consider to be a material weakness.

March 21, 2014
Manning Municipal Light Plant
Report on Internal Control

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of Manning Municipal Light Plant's financial statements will not be prevented or detected and corrected on a timely basis. I consider the deficiency described in Part I of the accompanying Schedule of Findings as item I-A-13 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Manning Municipal Light Plant's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

Comments involving statutory and other legal matters about the Light Plant's operations for the year ended December 31, 2013 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the Utility. Since my audit was based on test and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Manning Municipal Light Plant's Responses to Findings

Manning Municipal Light Plant's responses to findings identified in my audit are described in the accompanying Schedule of Findings. While I have expressed my conclusions on the Utility's responses, I did not audit the Light Plant's responses and, accordingly, I express no opinion on them.

March 21, 2014
Manning Municipal Light Plant
Report on Internal Control

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of the Light Plant's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Light Plant's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

I would like to acknowledge the many courtesies and assistance extended to me by personnel of Manning Municipal Light Plant during the course of my audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.

Munfeldt Associates, CPA, P.C.

**Manning Municipal Light Plant
Schedule of Findings
Year Ended December 31, 2013**

Part I: Findings Related to the Financial Statements

INTERNAL CONTROL DEFICIENCIES:

I-A-13 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The cash receipts listing, bank deposits and the posting of cash receipts to the cash receipts journal are all done by the same person.

Recommendation - I realize that a segregation of duties is difficult with a limited number of office employees. However, the Utility should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - We will try to use the staff in the most efficient way to achieve maximum internal control possible with the staff available.

Conclusion - Response acknowledged. The Utility should segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

**Manning Municipal Light Plant
Schedule of Findings
Year Ended December 31, 2013**

Part II: Other Findings Related to Statutory Reporting

- II-A-13 Certified Budget - Total disbursements during the year ended December 31, 2013 exceeded amounts budgeted in the business type activities function. Chapter 384.20 of the Code of Iowa states, in part, *Public monies may not be expended or encumbered except under an annual or continuing appropriation.*

Recommendation - The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response - The budget will be amended in future, if applicable.

Conclusion - Response accepted.

- II-B-13 Questionable Disbursements - I noted no disbursements for parties, banquets, or other entertainment for employees that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

- II-C-13 Travel Expense - No disbursements of the Utility's money for travel expenses of spouses of Utility's officials or employees were noted.

- II-D-13 Business Transactions - Business transactions between the Utility and Utility officials are detailed as follows:

| Name, Title, and Business Connection | Transaction Description | Amount |
|--|----------------------------|----------|
| Jerry Rasmussen, Trustee, Rasmussen Lumber, owner | Parts, supplies, tools | \$ 1,837 |
| Lynn Stein, Trustee, Napa, part owner | Parts, supplies, tools | \$ 492 |

In accordance with Chapter 362.5(11) of the Code of Iowa, the transactions with the Utility's Trustees do not appear to represent conflicts of interest since total transactions were less than \$2,500 per individual during the year.

- II-E-13 Bond Coverage - surety bond coverage of Utility officials and employees is in accordance with statutory provisions. However, the amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

**Manning Municipal Light Plant
Schedule of Findings
Year Ended December 31, 2013**

Part II: Other Findings Related to Statutory Reporting (Continued)

- II-F-13 Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the Utility's investment policy were noted.
- II-G-13 Board Minutes - No transactions were found that I believe should have been approved in the Council minutes but were not.
- II-H-13 Revenue Bonds - No instances of non-compliance with the revenue bond resolutions were noted.

NEWS RELEASE

MANNING MUNICIPAL LIGHT PLANT

Manning, Iowa 51455

Muxfeldt Associates, CPA, P.C., 2309 B Chatburn Avenue, Harlan, Iowa today released an audit report on the Manning Municipal Light Plant of Manning, Iowa.

Muxfeldt Associates, CPA, P.C, reported that the Utility Board's revenues totaled \$3,208,486 for the year ended December 31, 2013, a 6.7 percent increase from 2012. The revenues included \$2,825,651 in electricity sales, \$170,849 in rental income, \$162,245 in dividend income, \$17,967 in interest income and \$31,774 in other revenues.

Expenses for the year totaled \$3,181,147, a 13 percent increase from 2012. The expenses included \$2,332,633 for production, \$303,390 for distribution, \$79,544 for accounting and collection, \$214,238 for administrative and general expenses, \$140,551 for interest expense and \$110,791 for other expenses.

A copy of the audit report is available for review in the office of Manning Municipal Light Plant, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/reports.htm>.

